

Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 PM-04 NSC-05 SP-02 SS-15 CIAE-00 INR-07

NSAE-00 TRSE-00 /044 R

DRAFTED BY NEA/IRN:BMORTON:RG:RF

APPROVED BY PM/SAS:SWINSHIP

TREASURY - MR. NENSEL

DOD/DSAA - MR. JEFFCOAT

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R 302326Z SEP 75

FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

INFO SECDEF

C O N F I D E N T I A L STATE 233081

E.O. 11652: GDS

TAGS: MASS, IR

SUBJECT: PROPOSED WORKING FUND FOR FOREIGN MILITARY SALES

1. DURING GENERAL TOUFANIAN'S RECENT VISIT, DOD/DSAA BROUGHT UP WITH HIM PROPOSAL TO SET UP WORKING FUND FOR FMS SALES. TOUFANIAN REPORTEDLY WAS INTERESTED AND REQUESTED FURTHER DETAILS.

2. PROPOSAL WHICH HAS TREASURY CONCURRENCE CALLS FOR IRAN TO DEPOSIT AMOUNT ESTIMATED AS REQUIRED TO COVER FMS PAYMENTS DURING COMING YEAR. DOD/DSAA WOULD DRAW AGAINST THIS WORKING FUND AS REQUIRED AND GOI WOULD RECEIVE INTEREST ON UNEXPENDED BALANCE. BENEFIT FOR DOD WOULD BE THAT WORKING FUND WOULD OBVIATE CASH FLOW PROBLEMS THAT OCCASIONALLY ARISE BECAUSE OF DELAYS IN PAYMENT ON CERTAIN FMS CASES AND PROVIDE FLEXIBILITY IN ADMINISTERING IRANIAN FMS ACCOUNT. BENEFITS FOR GOI CITED BY DOD WOULD BE: SIMPLIFIED PAYMENT PROCEDURE, INCOME THROUGH INVESTMENT OF ACCOUNT BALANCE (WHICH IT DOES NOT NOW RECEIVE ON INDIVIDUAL
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CASE TRUST FUNDS), MONTHLY REPORTS ON EACH FMS CASE (WHICH

NOT NOW AVAILABLE), CONSOLIDATION AND STANDARDIZATION OF BILLINGS, AND A QUICK SOLUTION TO DELINQUENT PAYMENTS PROBLEM OF IIN. PROJECTED DEPOSIT FOR YEAR BEGINNING OCTOBER 1, 1975 WOULD BE DOLS 2.9 BILLION.

3. DSAA HAS SENT CARMISH/MAAG COPY OF DETAILED PROPOSAL WHICH WE ASSUME EMBASSY WILL HAVE ACCESS TO. IF GOI APPROVES PROPOSAL, WE WOULD HAVE TO COMPLETE CIRCULAR 175 PROCEDURES BEFORE NOTES CAN BE EXCHANGED TO FORMALIZE AGREEMENT. DRAFT NOTE IN PACKAGE SENT TO GEN. VANDENBERG IS FOR PRESENTATION IN WASHINGTON, BUT WE WOULD EXPECT ACTUAL EXCHANGE TO TAKE PLACE IN TEHRAN.

4. FYI: A SIMILAR PROPOSAL HAS BEEN MADE TO SAUDI ARABIA, WHICH HAS AGREED IN PRINCIPLE. END FYI.

5. ACTION REQUESTED: WE WOULD APPRECIATE YOUR COMMENTS ON WORKING FUND CONCEPT AND SPECIFIC ARRANGEMENTS PROPOSED IN DRAFT NOTE. IF YOU HAVE NO PROBLEMS, REQUEST THAT IN CONJUNCTION WITH ARMISH/MAAG YOU PROVIDE TOUFANIAN WITH DETAILED BRIEFING AND SOLICIT HIS VIEWS. INGERSOLL

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